Eco World Development (ECW MK)

Industrial Launches And Replenishments Underway

	BUY(Maintained)
Share Price	RM2.12
Target Price	RM2.70
Upside	27.5%

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Highlights

- The first phase of Eco Business Park VII (EBP VII) garnered strong interest from local SMEs, with upcoming demand supported by MOUs with Japanese companies.
- ECW expects to replenish its industrial landbank in Johor after the recent commercial land acquisition, with gross margins of 20-30% vs 15-20% for high-rise properties.
- Maintain BUY and raise target price from RM2.60 to RM2.70 to reflect the latest land acquisitions and higher margin from industrial/commercial products.

Analysis

- **Diversified zoning and Japanese partnerships to drive EBP VII demand.** EBP VII, to be developed over nine years, spans 1,195 acres of land with a total GDV of RM2.95b. The area is zoned into six categories: SME Core (239 acres), Hi-Tech Nexus (190 acres), Aerospace Corridor and Free Trade Zone (162 acres), Halal Business Hub (109 acres), Life Sciences Product (100 acres), and Logistic District (88 acres). The diversified zoning is supported by recent MOUs with The Musashino Bank Ltd and Bugin Institute, which promote Japanese SMEs' entry into EBP VII, particularly those focusing on food processing, medical technology, logistics, aerospace support industries and electrical and electronics.
- **EBP VII has garnered strong registration of interest from local SMEs.** The upcoming maiden launch in Nov/Dec 25 will feature >300 units in SME Core, with 25%/75% split between industrial land (1-3 acres) and factories. We estimate this will provide RM700m-750m of industrial sales for FY26, assuming SME Core accounts for around 25% of total GDV.
- **Looking to replenish industrial landbank.** With a remaining industrial landbank of RM6.1b or 11% of total GDV as of end-Aug 25, Eco World Development (ECW) plans to replenish industrial landbank in Johor to capitalise on demand from JS-SEZ. For reference, gross profit margin of commercial (30%) and industrial land sales (25-30%) are higher than that of industrial park and landed residentials (20-25%), as well as high rise (15-20%). Net gearing, while at 0.53x as of end-3QFY25, is supported by: a) RM5.14b of future revenue from locked-in sales, b) strong cash generations from mature projects, and c) remaining data centre land sales proceeds of about RM1.3b, which will be recognised in FY26.

Key Financials

Year to 31 Oct (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	2,227	2,258	2,812	3,423	3,734
EBITDA	409	490	638	842	844
Operating profit	389	468	619	821	821
Net profit (rep./act.)	189	304	403	521	582
Net profit (adj.)	273	354	403	521	582
EPS (sen)	9.3	11.5	12.7	16.4	18.3
PE (x)	22.8	18.5	16.7	12.9	11.6
P/B (x)	1.3	1.3	1.2	1.3	1.2
EV/EBITDA (x)	9.0	6.9	8.5	6.4	6.4
Dividend yield (%)	2.8	2.8	3.2	3.8	3.9
Net margin (%)	12.3	15.7	14.3	15.2	15.6
Net debt/(cash) to equity (%)	25.0	18.4	57.3	54.1	51.4
Interest cover (x)	3.3	4.2	4.4	4.1	4.2
ROE (%)	4.2	6.6	8.6	10.8	11.6
Consensus net profit	-	-	405	520	536
UOBKH/Consensus (x)	-	-	0.99	1.00	1.08

Source: Eco World Development, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	ECW MK
Shares issued (m):	3,200.4
Market cap (RMm):	6,784.9
Market cap (US$m):	1,605.3
3-mth avg daily t'over (US$m):	2.3

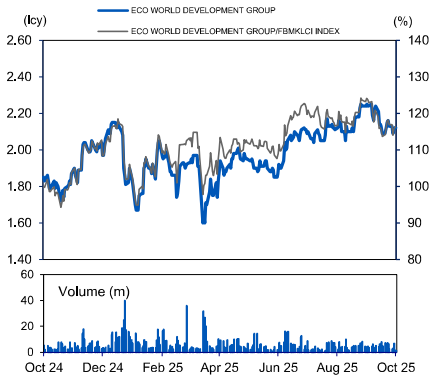
Price Performance (%)

52-week high/low				RM2.27/RM1.52
1mth	3mth	6mth	1yr	YTD
(5.4)	0.5	21.8	14.6	1.4

Major Shareholders

	%
Sinarmas Harta Sdn Bhd	32.4
Liew Tian Xiong	7.2
Liew Kee Sin	5.9
FY25 NAV/Share (RM)	1.72
FY25 Net Debt/Share (RM)	0.98

Price Chart



Source: Bloomberg

Company Description

Property developer with exposure in the Klang Valley, Iskandar Malaysia and Penang.

- **EBP VII, Eco Botanic 3, and Eco Radiance to anchor FY26 sales.** ECW's 10MFY25 property sales of RM3.8b accounts for 92% of our full-year sales forecast of RM4.2b. Looking ahead, FY26 sales will be anchored by three major launches: EBP VII and Eco Botanic 3 by end-25, as well as Eco Radiance (in 1HFY26) featuring residential and commercial launches. Recall that ECW is in the midst of acquiring a 22.7-acre freehold commercial land for a GDV of RM560m, with plans to feature commercial components and serviced apartments under the Duduk series, and an expected completion and launch in 1Q26.

Valuation/Recommendation

- **Maintain BUY with higher target price of RM2.70 (from RM2.60).** Our target price implies 1.6x FY26F P/B and 1.5x FY27F P/B (+2SD to 10-year mean: 0.7x) and 16.5x FY26F PE and 14.7x FY27F PE. This is considered fair given a 20% CAGR during FY25-27 and a structural uplift in earnings quality from the inclusion of recurring data centre rental income.

Earnings Revision/Risk

- We lift our FY26/27 earnings forecasts by 11%/5% respectively to reflect the commercial land acquisition and higher margin assumption from industrial/commercial projects.

Environmental, Social, Governance (ESG)

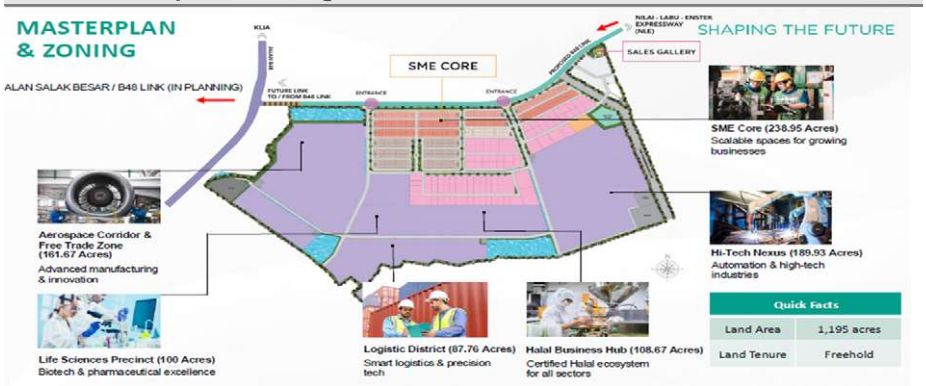
- Environmental - 36% reduction in Scope 2 GHG emissions (market electricity) from FY19 to FY24.
- Social - 100% of ECW's suppliers for building materials and main contractors are local.
- Governance - Good company transparency along with an Anti-Bribery and Anti-Corruption Policy.

RNAV Target Price Of RM2.70/Share

NPV of Development Profits	(RMm)
Central Region	3,753
Southern Region	1,688
Northern Region	392
DC build-to-lease (80% stake)	713
Total	6,546
Shareholders' Funds	4,894
RNAV	11,440
Enlarged Share base	3,175
RNAV/share	3.60
Discount	25%
Target Price (RM/share)	2.70

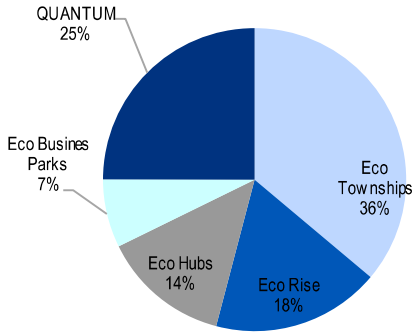
Source: Eco World Development, UOB Kay Hian

EBP VII Masterplan & Zoning


MASTERPLAN
& ZONING
SHAPING THE FUTURE
ALAN SALAK BESAR / B48 LINK (IN PLANNING)
SME CORE
SALES GALLERY
SME Core (238.95 Acres)
Scalable spaces for growing businesses
Aerospace Corridor & Free Trade Zone (161.67 Acres)
Advanced manufacturing & innovation
Hi-Tech Nexus (189.93 Acres)
Automation & high-tech industries
Life Sciences Precinct (100 Acres)
Biotech & pharmaceutical excellence
Logistic District (87.76 Acres)
Smart logistics & precision tech
Halal Business Hub (108.67 Acres)
Certified Halal ecosystem for all sectors
Quick Facts
Land Area 1,195 acres
Land Tenure Freehold

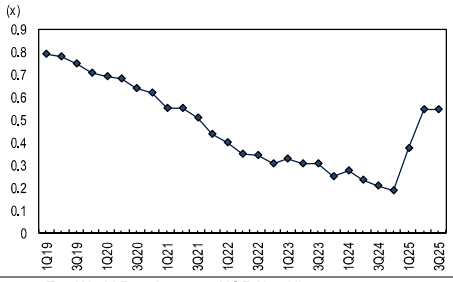
Source: Eco World Development, UOB Kay Hian

10MFY25 Sales Contribution By Revenue Pillars



Source: Eco World Development, UOB Kay Hian

Net Gearing Level



Source: Eco World Development, UOB Kay Hian

One-year Forward P/B Band

Source: Eco World Development, UOB Kay Hian

DC Land Sales Status

Operator	Size (acre)	Sales proceed (RMm)	Status
Microsoft	123.4	402.3	To recognize 30% in FY26
Princeton Digital	57.0	223.8	To recognize 20%/80% in 2HFY25/FY26
Microsoft	138.5	693.9	To complete by 1HFY26
Pearl Computing	58.1	266.1	To complete by FY26

Source: Eco World, UOB Kay Hian

Profit & Loss

Year to 31 Oct (RMm)	2024	2025F	2026F	2027F
Net turnover	2,258	2,812	3,423	3,734
EBITDA	490	638	842	844
Deprec. & amort.	22	19	21	23
EBIT	468	619	821	821
Associate contributions	101	59	71	147
Net interest income/(expense)	(117)	(147)	(207)	(203)
Pre-tax profit	407	531	685	765
Tax	(103)	(127)	(164)	(184)
Minorities	-	-	-	-
Net profit	304	403	521	582
Net profit (adj.)	354	403	521	582

Balance Sheet

Year to 31 Oct (RMm)	2024	2025F	2026F	2027F
Fixed assets	131	140	153	168
Other LT assets	5,438	7,646	7,918	8,264
Cash/ST investment	1,357	1,649	1,568	1,446
Other current assets	1,998	2,173	2,367	2,465
Total assets	8,923	11,609	12,005	12,343
ST debt	495	795	695	595
Other current liabilities	1,565	1,763	1,994	2,112
LT debt	1,763	3,763	3,763	3,763
Other LT liabilities	2,266	2,764	2,895	2,913
Shareholders' equity	4,894	5,081	5,347	5,666
Minority interest	-	-	-	-
Total liabilities & equity	8,923	11,609	12,005	12,343

Cash Flow

Year to 31 Oct (RMm)	2024	2025F	2026F	2027F
Operating	**890**	**883**	**716**	**680**
Pre-tax profit	407	531	685	765
Tax	(98)	(127)	(164)	(184)
Deprec. & amort.	22	19	21	23
Associates	(101)	291	(71)	(147)
Working capital changes	713	23	38	19
Other operating cashflows	(53)	147	207	203
Investing	**(302)**	**(2,528)**	**(234)**	**(237)**
Capex (growth)	(475)	(2,500)	(200)	(200)
Capex (maintenance)	(16)	(28)	(34)	(37)
Investments	(125)	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	313	-	-	-
Financing	**(449)**	**1,938**	**(563)**	**(565)**
Dividend payments	(177)	(216)	(255)	(262)
Issue of shares	-	-	-	-
Proceeds from borrowings	(273)	2,300	(100)	(100)
Others/interest paid	0	(147)	(207)	(203)
Net cash inflow (outflow)	**138**	**292**	**(81)**	**(122)**
Beginning cash & cash equivalent	**1,337**	**1,357**	**1,649**	**1,568**
Changes due to forex impact	(118)	-	-	-
Ending cash & cash equivalent	**1,357**	**1,649**	**1,568**	**1,446**

Key Metrics

Year to 31 Oct (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	21.7	22.7	24.6	22.6
Pre-tax margin	18.0	18.9	20.0	20.5
Net margin	13.4	14.3	15.2	15.6
ROA	3.1	3.6	4.6	5.1
ROE	6.6	8.6	10.8	11.6
Growth				
Turnover	1.4	24.5	21.7	9.1
EBITDA	19.8	30.1	32.1	0.2
Pre-tax profit	50.7	30.4	29.1	11.7
Net profit	60.3	32.8	29.1	11.7
Net profit (adj.)	29.5	13.9	29.1	11.7
EPS	23.6	10.6	29.1	11.7
Leverage				
Debt to total capital	46.2	89.7	83.4	76.9
Debt to equity	46.2	89.7	83.4	76.9
Net debt/(cash) to equity	18.4	57.3	54.1	51.4
Interest cover (x)	4.2	4.4	4.1	4.2

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